

VZCZCXRO3729
RR RUEHCHI RUEHDT RUEHFK RUEHHM RUEHKSO RUEHNH RUEHPB
DE RUEHHI #0640 1910240
ZNY CCCCC ZZH
R 100240Z JUL 09
FM AMEMBASSY HANOI
TO RUEHC/SECSTATE WASHDC 9875
INFO RUCNASE/ASEAN MEMBER COLLECTIVE
RUEHZU/ASIAN PACIFIC ECONOMIC COOPERATION
RUEHHM/AMCONSUL HO CHI MINH 6004
RUCPDOG/DEPT OF COMMERCE WASHINGTON DC

C O N F I D E N T I A L HANOI 000640

SENSITIVE
SIPDIS

STATE FOR EAP/MLS MBROWN
STATE FOR EEB/ENR
ENERGY FOR TOM CUTLER AT INTERNATIONAL AFFAIRS
COMMERCE FOR 4430/MAC/AP/OPB/VLC/HPPHO

E.O. 12958: DECL: 07/09/2019
TAGS: [ECON](#) [EFIN](#) [EINV](#) [ENRG](#) [EPET](#) [PREL](#) [VM](#)
SUBJECT: EXXON, PETROVIETNAM INK CONTRACT FOR PRODUCTION
SHARING QUIETLY

REF: A. A) HANOI 52 (2008 RECAP OF SOUTH CHINA SEA
DISPUTE)
[1](#)B. B) HANOI 525 (GAZPROM EXPANDING IN VIETNAM)

Classified By: DCM Virginia Palmer, E.O. 12958, Reasons: 1.4 (b) and (d)
)

[1](#)1. (C) ExxonMobil (EM) and state-run PetroVietnam (PVN) quietly signed a production sharing contract (PSC) on June 30 for two sets of blocks in the South China Sea that lie well within China,s line of demarcation. The deal makes EM the largest offshore acreage holder in Vietnam, with 14 million acres.

[1](#)2. (C) At a June 23 meeting with the Charge, ExxonMobil Vietnam,s President Russ Berkoben previewed the deal and plans for quiet signing given sensitivities with China (REF A). The PSC moves EM,s cooperation with PVN beyond completed feasibility studies to seismic exploration, primarily for natural gas. Berkoben said EM consolidated the two sets of blocks (blocks 117/8/9 approx. 50 miles east of Danang, and blocks 156/7/8/9 approx. 325 mi. SW of Ho Chi Minh City) into one PSC, in part to minimize a possible repeat of China's negative reaction to EM's previous activities in the area. Both sets of blocks fall within China,s line of demarcation, the "cow's tongue." Berkoben said that although EM is uncertain of China,s reaction, it is ready if China reacts. Berkoben also noted that Russian state-owned energy firm Gazprom is conducting seismic exploration in nearby similarly-disputed Blocks 129-132 (REF B) and has not experienced interference from China in its operations.

END
MICHALAK
MICHALAK